

**Introduced by Senator Liu**

February 26, 2015

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An act to add Section 10235.36 to the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 575, as amended, Liu. Long-term care insurance.

Existing law provides for the regulation of long-term care insurance by the Insurance Commissioner. *Existing law prohibits an insurer from delivering or issuing for delivery a long-term care policy unless the insurer offers at the time of application an option to purchase a shortened benefit period nonforfeiture benefit.* Under existing law, the commissioner may require the administration by an insurer of the contingent benefit upon lapse as a condition of approval or acknowledgment of a rate adjustment for a block of business for which the contingent benefit upon lapse is not otherwise available. Under existing law, the insurer ~~must~~ *is required to* notify policyholders and certificate holders of the contingent benefit upon lapse when required by the commissioner, as specified.

This bill, when a ~~policyholder or certificate holder elects the shortened benefit period nonforfeiture benefit or the contingent benefit upon lapse,~~ *lapse is conferred,* would require the insurer to annually notify the policyholder or certificate holder and, if elected, at least one individual designated by the policyholder or certificate holder of (1) the availability of the *shortened benefit period nonforfeiture benefit or contingent benefit,* ~~the dollar amount of the contingent benefit, benefit upon lapse,~~ (2) *that the insured may request a statement of the current value of the*

*benefit at any time, and (3) the name, address, and telephone number of the insurer for questions about the contingent benefit. The bill would also require the insurer, within 90 days of receipt of notice that a policyholder or certificate holder elected the contingent benefit upon lapse, insurer to mail to and receive from each policyholder or certificate holder a form that allows the policyholder or certificate holder to submit one of the following: (1) a written designation of the name, address, and telephone number of at least one person, in addition to the policyholder or certificate holder who is to receive the annual notice described above, (2) a confirmation that the policyholder or certificate holder designates the same person previously designated to receive that notice, or (2) (3) a waiver signed and dated by the policyholder or certificate holder electing not to designate additional persons to receive the annual notice.*

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     *SECTION 1. Section 10235.36 is added to the Insurance Code,*  
2     *to read:*  
3     *10235.36. (a) When a shortened benefit period nonforfeiture*  
4     *benefit, as described in Section 10235.30, or a contingent benefit*  
5     *upon lapse, as described in Section 10235.35, is conferred, the*  
6     *insurer shall mail to and receive from each policyholder or*  
7     *certificate holder an election form which allows the policyholder*  
8     *or certificate holder to elect one of the following:*  
9     *(1) A written designation listing the name, address, and*  
10    *telephone number of at least one individual, in addition to the*  
11    *policyholder or certificate holder, who is to receive the annual*  
12    *notice as described in subdivision (c).*  
13    *(2) A confirmation that the policyholder or certificate holder*  
14    *designates the same person previously designated in Section*  
15    *10235.40 to receive the annual notice as described in subdivision*  
16    *(c).*  
17    *(3) A waiver signed and dated by the policyholder or certificate*  
18    *holder electing not to designate additional persons to receive the*  
19    *annual notice as described in subdivision (c). The required waiver*  
20    *shall read as follows:*  
21

“I understand that I have the right to designate at least one person other than myself to receive annual notification related to the [shortened benefit period nonforfeiture benefit or contingent benefit upon lapse, as applicable] retained under this long-term care insurance policy. I elect not to designate any person other than myself to receive the notice.

_____ Signature of Policyholder or Certificate Holder	_____ Date”
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(b) The insurer shall notify all holders of a shortened benefit period nonforfeiture benefit or a contingent benefit upon lapse, at least once every two years, or at the time of the annual notice as described in subdivision (c), of the right to change the election described in subdivision (a).

(c) At the time a shortened benefit period nonforfeiture benefit or contingent benefit upon lapse is conferred and annually thereafter the insurer shall notify all holders of the benefit and, if elected, at least one individual designated pursuant to paragraph (1) or (2) of subdivision (a) by first-class United States mail, postage prepaid, of all of the following:

(1) The availability of the shortened benefit period nonforfeiture benefit or contingent benefit upon lapse.

(2) That he or she may request a statement of the current value of the benefit at any time.

(3) The name, address, and telephone number of the insurer for questions about the shortened benefit period nonforfeiture benefit or contingent benefit upon lapse.

(d) If, upon proper mailing by the insurer, the policyholder or certificate holder fails to return the election form described in subdivision (a), the failure will be deemed a waiver as provided in paragraph (3) of subdivision (a).

**SECTION 1.** ~~Section 10235.36 is added to the Insurance Code, to read:~~

~~10235.36. (a) In the event a policyholder or certificate holder elects the contingent benefit upon lapse as described in Section 10235.35, the insurer shall annually notify the policyholder or certificate holder and, if elected, at least one individual designated by the policyholder or certificate holder pursuant to paragraph (1) of subdivision (b) by first-class United States mail, postage prepaid, of all of the following:~~

1 ~~(1) The availability of the contingent benefit held by the~~  
2 ~~policyholder or certificate holder.~~

3 ~~(2) The dollar amount of the contingent benefit.~~

4 ~~(3) The name, address, and telephone number of the insurer for~~  
5 ~~questions about the contingent benefit.~~

6 ~~(b) Within 90 days of receipt of notice that a policyholder or~~  
7 ~~certificate holder elects the contingent benefit upon lapse as~~  
8 ~~described in Section 10235.35, the insurer shall mail and receive~~  
9 ~~from each policyholder or certificate holder a form that allows the~~  
10 ~~policyholder or certificate holder to submit one of the following:~~

11 ~~(1) A written designation listing the name, address, and~~  
12 ~~telephone number of at least one individual, in addition to the~~  
13 ~~policyholder or certificate holder, who is to receive annual notice~~  
14 ~~as described in subdivision (a).~~

15 ~~(2) A waiver signed and dated by the policyholder or certificate~~  
16 ~~holder electing not to designate additional persons to receive notice.~~  
17 ~~The required waiver shall read as follows:~~

18  
19 ~~“I understand that I have the right to designate at least one person~~  
20 ~~other than myself to receive annual notification related to the~~  
21 ~~contingent benefit retained under this long-term care insurance~~  
22 ~~policy. I elect not to designate any person other than myself to~~  
23 ~~receive the notice.~~

24 \_\_\_\_\_  
25 ~~Signature of Policyholder or Certificate Holder ——— Date”~~

26 ~~(c) The insurer shall notify the policyholder or certificate holder~~  
27 ~~at least once every two years of the right to change the election~~  
28 ~~described in subdivision (b).~~